

November 17, 2021

The City of Falls Church Economic Development Authority will be finalizing their request for American Rescue Plan Act (ARPA) funds from the Falls Church City Council in the amount of \$1.5 million on Tuesday, December 7th, 2021, to be used to assist City businesses. The details of their request as reported below are therefore, subject to change at that meeting.

Generally, requested funds are proposed to be used for the following spending categories, plus additional subcategories or uses that may arise as a result of input from the Falls Church Chamber, City businesses, and other input that may be received.

Overview for ordinance:

	Year 1	Year 2	Year 3
Total	\$500,000	\$500,000	\$500,000
Programs	<ul style="list-style-type: none">-Micro Grant Program for qualified City small Businesses- Minimal initial outdoor dining/ parklet program investments, in anticipation of year 2 primary work	<ul style="list-style-type: none">-Creation of outdoor dining areas or parklets, QR code creation for restaurants and ordering-Hire marketing consultant group to create a sustainable, cost effective marketing plan for the City (to include tourism/visitor attraction, social media publicity campaign, Chamber collaboration, etc.)-City-subsidized gift card program for 'shop local'-City partnership with George Mason Small Business Center for small business support	<ul style="list-style-type: none">-Expanding outdoor parklet programs-Implementing and managing recommendations from marketing consultants-2nd year of City-subsidized gift card program for 'shop local'-2nd year of City partnership with George Mason Small Business Center for small business support

Overview of Expenditure Categories, subject to change with EDA discussion:

- I. **Business grants** - Per specific eligibility criteria below, this program adheres to IFR Codes 2.9 and we are requesting \$450,000 in ARPA funds for a COVID-19 grant relief program in year 1.

Rationale:

- The goal of this program is to target businesses most negatively affected by COVID and to provide them with modest financial support to assist them in recovering. Most City businesses continue to struggle with continued decreased customer demand/visits, difficulty attracting and retaining employees who are vital to their success and in many cases, the increased costs of

goods required for their business (i.e. food for restaurants). The program also focuses on small businesses who have considerable positive impact on the local economy. Many of the City businesses who will meet the eligibility requirements of the program were closed by order of the Governor during the pandemic and were considered “non-essential” for an extended period of time, during a time when rent and other business expenses still needed to be paid. Many still owe their landlords for unpaid rent during that closure time.

- Another aim is to assist small businesses with low-income workers, including in service industries, and businesses located in the Tinner Hill and Hillwood areas of the City, as these businesses especially suffered due to the disproportionate impact of COVID-19 on these disadvantaged areas and workers.
- The grants will focus on these establishment types: hotels, retail/personal services, non-profits, restaurants/food, and other business sectors determined by the Commissioner of the Revenue to be hardest hit by COVID 19. Together, these business types provided over 80% of business generated revenues to the City in 2019 (based on most recent Census data). Professional service providers were the second largest group of employers in the City, behind health care/Kaiser. Retail and food service businesses also historically pay the lowest wages of all industries in the City, but provide necessary services to the community¹. Meals taxes generated by restaurants also contribute significantly to the City’s revenues. If businesses suffer reduced gross receipts, those losses also affect the City’s overall economy. As businesses recover to pre-epidemic levels, so too does the City’s economy improve.
- This proposed grant program will be similar to the first very successful microgrant program administered by the EDA. Recent feedback from the businesses who received those grants can be found in Appendix A, detailing the ways in which those funds were spent, the benefit of those funds and the extreme gratitude of those businesses that modest amount of assistance.

DRAFT grant program eligibility requirements – Successful grant applicants will be encouraged to use funds to attract and retain employees and to encourage and increase customer visits and demand through marketing, such as through social media, online ordering portals, advertising, etc. Funds may also be used for other business expenses such as rent, utilities, purchasing goods, etc. The recent prior grant recipient survey results (from 79 of the 125 recipients) found in Appendix A indicates that the primary current greatest challenges for those businesses are maintaining adequate staffing so that they can recover and restoring customer demand as it existed before the pandemic.

For the proposed grant program, ALL requirements below must be met and where possible, there will be City verification of the required submission information.

1. 25% - 80% loss in revenue between the end of calendar years 2019 and 2020
2. ALL city business types who meet ALL of the eligibility requirements may apply, including second floor and office use businesses that were not eligible in the last rounds.
3. City non-profits will be eligible to apply if other ARPA assistance program funds are not available to them.
4. All businesses must have gross receipts of no less than \$50,000 and no more than \$1 million.

¹ All Sectors: County Business Patterns, including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2019 Survey/Program: Economic Surveys; TableID: CB1900CBP; Year: 2019; Dataset: CBP2019

5. Businesses must operate from a commercial location in City.
6. Businesses must have a current City business license.
7. Businesses must have been in operation one year prior to January 1, 2019.
8. Businesses must be fully open and operating their business as of November 1, 2021.
9. Businesses must be in good standing with City tax payments and regulations.
10. Businesses who received EDA micro grants in previous funding rounds will be ineligible.
11. Businesses that received Federal and/or State financial assistance for COVID-19 are not eligible.
12. Uses of the awarded funds will be determined by the recipients' needs. Businesses can use the funds for employee attraction/retention, benefits, rent, or other needs.
13. Eligible businesses will be chosen by random lottery.
14. Grants will be in the amount of \$5,000 per business.
15. Details of the amount and eligibility requirements for possible financial assistance for City Hotels are subject to additional discussion by the EDA.

- II. **Outdoor Business Activity**, adheres to IFR Code 2.9 as outlined by the specific requirements below. We are requesting up to \$50,000 in year 1, to begin preliminary work and budgeting on this activity prior to Year 2/July 1, 2022. This will enable the soonest possible availability of the new outdoor dining/activity/parklet areas. We anticipate the need for up to \$300,000 in year 2, and up to \$300,000 in year 3 for these investments. Funds will be used for the cost of infrastructure and maintenance (signage, furniture, floral beds, bollards, trash pick-up as needed, etc.).

Rationale:

- Restaurants are still struggling to survive the effects of the pandemic, especially as they are now suffering difficulty attracting and retaining adequate staff as well as the increasing cost of goods. They have also traditionally provided a substantial amount of meals and sales tax revenues for the City. In fact, they make up a substantial number of struggling businesses that would qualify for the grant program as outlined above. Qualitative primary research shows they are still struggling to turn a profit and pay rent. See appendix A for details.
- Demand for outdoor dining increased exponentially during the pandemic as a safe alternative to an indoor dining setting and outdoor dining is expected to continue to be a popular dining option.
- Where there is interest, staff proposes assisting City restaurants (and other businesses) to create and utilize a QR-code system, as an option to encourage more sales. This technology could also be utilized for the new parklet/outdoor dining areas, where even parklet users could easily order food to those locations.



Figure 1 South Washington and Annandale City Owned Property, Potential Parklet location

- III. **Tourism Promotion**, adheres to IFR Code 2.11 as outlined below. We are requesting \$45,000 in year 2, and \$45,000 in year 3.

Rationale:

- The City has not recently invested in tourism and destination marketing. The City's historic sites suffered due to the pandemic and lack of travel. But as travel and interest in historic and destination assets (like Tinner Hill, State Theatre ...) is increasing as COVID 19 is waning, staff would like to research and possibly invest in the destination marketing potential of the City. CPEDS staff has engaged a tourism consultant for a very modest fee, to assist us in an initial evaluation of the tourism marketing potential of the City.
- After concluding the initial evaluation by our tourism consultant in mid-December 2021, staff would like to request Year 2 ARPA funding to enable us to issue an RFP for a modest 2-year contract to engage a marketing consultant, to specifically help create and promote a tourism/destination marketing program for the City. This engagement would include assisting staff with enhancing the City's presence on the Virginia is for Lovers website, especially as related to Historic Tinner Hill, the City's other historic destinations and featuring the City's unique food and retail offerings.
- The requested amounts are based on the average cost of a tourism marketing program of this scale.

- IV. **Marketing Services**, adheres to IFR code 2.9 as outlined below. We are asking for \$95,000 in year 1 and \$95,000 in year 2.

Rationale:

- The City needs temporary staff support and outside guidance in creating an overall City marketing plan. This could also include assistance with the creation of an annual event like a City restaurant week, Small Business Saturdays, and/or enhancement of other existing City events.
- Staff would like to contract with a marketing consultant group for 2 years to help build the foundation for a longstanding marketing plan and program for the City.
- Staff has been engaged in discussions with other jurisdictions, to learn of their successes and approaches to marketing, to better prepare us for working with a consultant.

- The funds would be used for both the consulting group and to implement the programs they recommend. The amounts are based on the average cost of a marketing program of this scale and the estimated cost to implement the programs.

V. **Business Support Services**, adheres to IFR code 2.9 as outlined below. We are asking for \$60,000 in year 1, and \$60,000 in year 2.

Rationale:

- Many businesses that suffered during COVID-19 would benefit from business support, guidance, and training.
- Staff has identified a potential partnership with George Mason's Small Business Development Center to provide, in addition to many free services they also provide, a variety of more enhanced business support services offered on an a la carte basis, such as:
 - Provide dedicated Senior Business Counselors for one-on-one counseling to City businesses (post-covid recovery focus with a location to be determined)
 - Collaborate with the Falls Church Chamber of Commerce to possibly create events and programming to benefit businesses
 - Provide in-depth workshops targeted to the City's business owners and co-sponsored by the EDA, similar to the Entrepreneur Express
 - Conduct an extensive marketing outreach program using email and social media campaigns to the City's business owners to create awareness of available business support.
 - Create a new business start-up cohort workshop series aimed at attracting entrepreneurs to the City of Falls Church.
 - Provide support and advice to the City's EDA team
 - Produce regular economic impact reporting including:
 - Number of Clients served and total counseling hours
 - Jobs created/retained
 - Capital invested
 - Sales Growth
 - Workshop attendees
- This ask is based on George Mason's quote for these services.

Appendix A:

City of Falls Church Post Grant Recipient Survey – October 2021

Overview

The City of Falls Church issued grants to 126 businesses in The City of Falls Church to support the local economy through the sudden economic downturn as a direct result of the current COVID-19 pandemic. To assess how businesses are currently doing after receiving the grant, a brief survey was emailed to grant recipients with the hopes of gaining a better understanding if further assistance is needed.

Process

A short survey of 5 open-ended questions was emailed to 121 grant recipients who had opted into communication with the Economic Development Office.

- How are you doing now?
- Were the funds helpful?
- What percentage of pre-pandemic revenue have you recovered?
- How did you use the funds?
- What are some of the biggest challenges you're facing now?

Response

Of the 121 grant recipients that were contacted, the Economic Development Office received responses from 49 grant recipients.

Please note some grant recipients reported more than one use.

Usage	Number of Times Mentioned
Rent	27
Payroll	20
Utilities	10
Supplies	4
Other	10
Total	71

Pre-pandemic Revenue Recovered	Number of Businesses
Closed	3
Less than 10%	3
10-20%	2
21-40%	3
41-60%	9
61-80%	10
81-100%	9
Greater than 100%	2
Did not disclose	8
Total	49

Grant recipients expressed their sincere gratitude to The City of Falls Church for the support they received through the grant program, noting that the funds were incredibly helpful. However, many also noted that they are still facing challenges such as lowered foot traffic, staffing issues, rising cost of supplies, paying rent, and reassuring their customers that it is safe to return.

Testimonials

"Again, thank you so much for the assistance. My wife and I, owners of the business (Cat Sitting by Susan LLC) are proud to live and work in Falls Church City! BTW, we started this business after our careers. We were both close to 60 when we started Cat Sitting by Susan, and it grew quickly and tremendously. When the pandemic hit, we genuinely didn't know what would happen, or if we could survive it. But here we are, due to loyal customers and help from Falls Church City." – **Gregg at Cat Sitting by Susan**

"Paying rent. This area is a very high rent area for businesses. We have not grown to or beyond our break-even point. Bottom line, we are back to our revenue numbers pre-pandemic. But having only been open as a new business to the area for just nine months (we opened May 2019), we had not achieved break-even or profitability. We are still growing and working toward that. So, we are hopeful that we will get there in the coming months. Our landlord has been very flexible with our situation, but right now we are behind a few months on rent." – **David at Code Ninjas**

"Thank you very much for reaching out. As we all know the restaurant business was one of the hardest hit during the pandemic. We did somehow to survive and keep the lights on throughout the difficult times. I'm thinking we're probably 75% back to where we were. When we received the assistance our funds went straight to the rent. We did accumulate a lot Debt during those difficult times the landlord has been very patient with us. we were able to pay half the rent during the lockdown so that means we're behind by 34,000. If the city is able to distribute more funds that would be a great thing for the small businesses. The difficulties that we are facing now is lack of labor and obviously inflation food costs have gone through the roof and we're trying our best to keep up. Hope this helps." – **Panjshir**

"Yes, incredibly helpful in assisting in rent and utility expenses. I also felt very supported by the city of Falls Church. I have been in business since 2008, and the support of the city during such a devastating time has made an everlasting impact on my business. Thank YOU!" – **Better Body, LLC**

"If it were not for the PPP loans, the VA Grant and the Falls Church grant, my company would not have survived. I am very grateful." – **Carlyn Davis Casting**

"I did not receive pandemic assistance such as PPP or other credits, so these funds received from Falls Church were helpful to keeping our doors open. I was and am grateful for the assistance!" – **Rebecca at Tea with Mrs. B**

"It's quite amazing what \$4,000 can do to aid a struggling business." – **Jeff at Cue Recording**

"The funds were oasis in the middle of desert. We used the funds for a better operation. They were definitely helpful to increase the sales." – **Joshua at 10 Pizza**

"A total of \$4,000 doesn't sound like a lot, but it went a long way to help sure up some gaps in our revenue stream." – **Kavon at Functional Fitness VA**

Recommendations

While businesses in The City of Falls Church are slowly recovering, these businesses are still struggling with the ongoing impact of the pandemic. 37% of businesses (excluding 3 businesses that have closed) who responded have only recovered 60% or less of their pre-pandemic revenue which is further exacerbated by the rising cost of supplies, slowing foot traffic due to colder weather, staffing issues, and hesitancy from their clientele to return. It is recommended that The City of Falls Church provide further financial assistance through a grant program to support struggling businesses.